

Message Text

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ACTION AID-59

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FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 6246

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PASS USDA AND AID

EO 11652: NA
TAGS: EAGR, EAID, ID
SUBJ: TITLE I, PL 480-THIRD AMENDMENT TO MAY 17, 1977 AGREEMENT

1. EMBASSY HAS RECEIVED FOLLOWING LETTER FROM GENERAL ARIFIN REQUESTING FURTHER AMENDMENT TO MAY 17, 1977, TITLE I, PL 480 AGREEMENT TO INCREASE THE ALLOCATION FOR RICE IN PART II FROM \$78.7 MILLION TO \$97.6 MILLION. GENERAL ARIFIN IS, OF COURSE, REFERRING TO THE FY 1978 TITLE I ALLOCATIONS AND THE ACTUAL THIRD AMENDMENT TO THE MAY 17, 1977 AGREEMENT WOULD BE TO INCREASE THE FUNDS ALLOCATED TO RICE FROM \$131.9 MILLION TO \$150.8 MILLION.

2. FOLLOWING IS TEXT OF GENERAL ARIFIN'S LETTER:
QUOTE: THANK YOU FOR YOUR ADVICE THAT THE U.S. GOVERNMENT HAS INCREASED THE DOLLAR AMOUNT ALLOCATED TO INDONESIA UNDER THE SECOND AMENDMENT OF THE TITLE I, PL 480 AGREEMENT OF MAY 17, 1977 FROM \$99.3 MILLION TO \$118.2 MILLION. I WISH TO REQUEST ON BEHALF OF THE GOVERNMENT OF INDONESIA THAT THE TITLE I, PL 480 AGREEMENT OF MAY 17, 1977, BE FURTHER AMENDED TO INCREASE THE ALLOCATION OF FUNDS FOR PROCUREMENT OF RICE SPECIFIED IN PART II OF THE AGREEMENT FROM \$78.7 MILLION TO \$97.6 MILLION. (PARAGRAPH) I SHOULD POINT
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OUT THAT AT CURRENT U.S. RICE PRICES, \$97.6 MILLION WILL ONLY PURCHASE AROUND 260,000 TONS, PROVIDING INDONESIA 40,000 TONS LESS THAN THE ORIGINAL PROGRAM QUANTITY OF 300,000 TONS OF RICE REQUESTED BY THE GOVERNMENT OF INDONESIA UNDER TITLE I, PL 480 FROM THE UNITED STATES. SINCERELY /S/ BUSTANIL ARIFIN,
HEAD, BULOG END QUOTE

3. WE PROPOSE EXCHANGE OF DIPLOMATIC NOTES TO EFFECT THIRD AMENDMENT INCORPORATING, IN ADDITION TO CHANGE IN DOLLAR AMOUNTS FOR RICE, LANGUAGE ALONG THE FOLLOWING LINES:

A. QUOTE THAT THE LETTERS DATED DECEMBER 16, 1977 EXCHANGED BETWEEN THE UNITED STATES AMBASSADOR AND HIS EXCELLENCY THE ACTING MINISTER OF FOREIGN AFFAIRS OF THE GOVERNMENT OF INDONESIA WHICH INCORPORATED THE LIST OF DEVELOPMENT PROJECTS THAT WILL BE UNDERTAKEN WITH THE PL 480 COMMODITIES UNDER THE SECOND AMENDMENT TO THE TITLE I, PL 480 AGREEMENT DATED MAY 17, 1977, OR THE PROCEEDS GENERATED BY THE SALE. BE MODIFIED TO INCORPORATE THE FUNDS GENERATED BY THE PROCEEDS FROM THE SALE OF COMMODITIES UNDER THE THIRD AMENDMENT TO THE MAY 17, 1977, TITLE I, PL 480 AGREEMENT AND CHANGE THE FUNDS ALLOCATED FOR THE PROJECT QUOTE IRRIGATION: TERTIARY AND QUATERNARY CANAL CONSTRUCTION END QUOTE FROM \$40 MILLION TO \$50 MILLION AND THE PROJECT QUOTE FARM TO MARKET ROADS ON JAVA AND IN ISOLATED PRODUCTION AREAS OF THE OUTER ISLAND END QUOTE FROM \$30 TO \$40 MILLION. ALL OTHER TERMS AND CONDITIONS OF THE MAY 17, 1977, AGREEMENT AS AMENDED REMAIN THE SAME. END QUOTE

4. THE PROJECTS CHANGES CITED IN THE FOREGOING ARE ILLUSTRATIVE ONLY. EMBASSY IN FACT CONSIDERS THE FUNDS ALLOCATED TO THE TWO IRRIGATION DEVELOPMENT PROJECTS IN THE DECEMBER 16 LIST ARE PROBABLY NEAR THE MAXIMUM THAT WILL ACTUALLY BE EXPENDED AND UNCLASSIFIED

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IT MAY BE NECESSARY TO ADD NEW PROJECTS TO THE LIST. THE ACTUAL PROJECTS TO BE MODIFIED OR ADDED WILL BE NEGOTIATED WITH GOI WITH THE OBJECTIVE OF INCREASING THE PROJECT TOTAL FROM \$100 MILLION TO APPROXIMATELY \$120 MILLION. WASHINGTON APPROVAL AND/OR COMMENTS ON ABOVE PROPOSED PROCEDURE WOULD BE APPRECIATED.

5. COMMENT: WE BELIEVE ABOVE ARRANGEMENT WOULD BE SIMPLEST WAY OF HANDLING ALLOCATION OF PROCEEDS TO BE GENERATED FROM COMMODITY DELIVERIES UNDER THIRD AMENDMENT. HOWEVER, THIS PROCEDURE HAS NOT YET BEEN PROPOSED TO GOI AND IT IS POSSIBLE THAT GOI PREFERENCE MAY BE TO EXECUTE SECOND SET OF SIDE LETTERS IN LIEU OF REFERRING TO ALLOCATION PL 480 LOCAL CURRENCY IN TEXT OF DIPLOMATIC NOTES OR MAY, IN VIEW ADVERSE PUBLICITY ABOUT EARLIER LETTERS, STRONGLY OBJECT TO ANY AT ALL.
MASTERS

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